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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 12/28/09

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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, December 27

NIKKEI (Page 2) (Full)
December 28, 2009

(Japan time)

10:19 Left Haneda Airport on a special government place for Japan-India summit.

(Local time)

Evening Arrived at Chaatrapati Shivaji International Airport in Mumbai, India. Signed terrorist attack condolence books and offered flowers at the Trident Hotel and Hotel Taj Mahal in the city. Night Gave an interview to the Times of India at Hotel Taj Mahal

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Hotel. Attended a dinner party hosted by Maharashtra Gov. Jamir at his official residence. Stayed overnight at Hotel Taj Mahal.

4) PM Hatoyama points to Futenma relocation within Japan, saying relocation to Guam would be difficult

YOMIURI (Top play) (Excerpts)
December 27, 2009

Prime Minister Yukio Hatoyama indicated on Dec. 26 that relocating the U.S. Marine Corps' Futenma Air Station from Okinawa to the U.S. territory of Guam would be difficult. Guam is the only place that has been mentioned as a possible site outside Japan that could replace the Henoko district in Nago, Okinawa Prefecture - the site specified in the existing plan. The Prime Minister's comment has effectively shown a policy direction of narrowing down the possible relocation sites to places in Japan. The Social Democratic Party (SDP), which is pursuing relocation outside the country, has objected to the Prime Minister's statement, while calling for the total relocation of Futenma to Guam.

While recording a New Year's radio program on Dec. 26, the Prime Minister ruled out the SDP's call for relocation to Guam, saying: "There might have been a time to look into the possibility of it as one option. But realistically speaking, relocating all (functions) of Futenma to Guam would be difficult from the standpoint of deterrence."

5) SDP leader Fukushima reacts strongly to PM Hatoyama's comment that Futenma's relocation to Guam would be "difficult"

ASAHI (Page 2) (Full)
December 28, 2009

In reaction to Prime Minister Yukio Hatoyama's earlier statement that it would be difficult to designate the U.S. territory Guam as the relocation site of the U.S. forces' Futenma Air Station in Okinawa, Social Democratic Party (SDP) leader Mizuho Fukushima said on Dec. 27: "The SDP regards Guam as very promising. We will pursue this option to the maximum extent possible." Regarding Hatoyama's intention to decide on a relocation site by next May, Fukushima retorted that, "What is important is not the deadline but the solution." She made the above remarks in response to questions from reporters in Tokyo.

Commenting on Hatoyama's mention of constitutional revision at a recording session for a radio program on Dec. 26, Fukushima said: "The agreement of the three coalition parties is not to revise the constitution but to aim for the realization of the ideals of the constitution."

6) PM Hatoyama elaborates on his comment that Futenma's relocation to Guam would be "difficult"

NIKKEI (Page 2) (Full)
December 28, 2009

Prime Minister Yukio Hatoyama stressed on Dec. 27 that his earlier comment in which he said it would be difficult to relocate the U.S. forces' Futenma Air Station in Okinawa to Guam was "one idea." It is believed that he made this comment to give consideration to the Social Democratic Party, which advocates relocation to Guam. The

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inconsistency of his statements is likely to incur criticism.

7) Defense Ministry to set up cyber defense force in fiscal 2011 to defend secret information

NIKKEI (Page 2) (Full)
December 27, 2009

The Defense Ministry will launch in fiscal 2011 a "cyber defense force" tasked with defending secret information from attacks on the Internet. There has been a rash of incidents in which hackers broke into government agencies' information networks and stole classified information and destroyed networks on the Internet. Such incidents have prompted the ministry to recognize the need to improve the defense of classified information.

A preparatory office will be set up under the control of the Planning and Coordination Officer in fiscal 2010.

The cyber defense force will be established under the Self-Defense Forces' command communications system unit on a scale of 60 persons. Approximately 7 billion yen has been earmarked in the fiscal 2010 budget. The ministry will begin training personnel with specialized knowledge capable of conducting research on ways to deal with computer viruses.

8) Document found on secret agreement to allow nuclear arms onboard U.S. ships anchoring for prolonged periods

TOKYO SHIMBUN (Page 2) (Abridged)
December 28, 2009

It was learned on Dec. 27 that the Japanese and U.S. governments had a "secret agreement" to exempt the U.S. aircraft carrier Midway from prior consultations under the bilateral security treaty when it entered or anchored at Japanese ports with nuclear arms onboard when the flattop was deployed at the Yokosuka base in Kanagawa Prefecture in 1973. A document attesting to this agreement was found through internal investigations by the Ministry of Foreign Affairs (MOFA). This was revealed by several informed sources.

The revised Japan-U.S. security treaty of 1960 stipulates that changes in the U.S. forces' weapons and equipment require prior consultation. However, MOFA's investigations have already revealed the existence of a secret agreement that exempted ships with nuclear weapons onboard that called at Japanese ports or passed through Japanese waters from this requirement. In 1972, before Midway's deployment to Yokosuka, then Foreign Minister Masayoshi Ohira met with then U.S. Under Secretary of State Alexis Johnson to reconfirm the validity of this secret agreement at their meetings and further agreed that this applied not only to port calls, but also to long-term "mooring" at a home port.

9) Japan's U.S. government bond possession up 18 percent, reaching 740 billion dollars as of end of October

NIKKEI (Page 3) (Lead para.)
December 28, 2009

Japan's U.S. government bond possession is on the increase. The amount of U.S. government bonds held by the Japanese government and private sector as of the end of October reached 746.5 billion

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dollars (approximately 67 trillion yen), up nearly 20 percent from the level of the same month in the preceding year. While China is

curbing its investment in U.S. government bonds in order to diversify its foreign reserves, financial institutions in Japan are actively purchasing them.

10) Government makes three postal services revision proposals

NIKKEI (Page 5) (Excerpts)
December 26, 2009

The government on Dec. 25 held a policy meeting to take a second look at postal services. The government's side made three reorganization proposals concerning the Japan Post Group's spin-off company system. Deputy Cabinet Office Minister Kohei Otsuka noted that a proposal for making Japan Post Bank and Japan Post Insurance separate entities was a strong option. The government intends to finalize its plan as early as January next year while consulting with the ruling parties.

The Japan Post Group employs a five-company system of four companies placed under the wing of a holding company. The government wants to improve the group's business management efficiency through reorganization.

Participants representing the government offered three proposals: (1) Plan A - integrating Japan Post Service Co. and Japan Post Network Co. into Japan Post Holdings Co. and placing Japan Post Bank Co. and Japan Post Insurance Co. under the holding company; (2) Plan B - establishing a financial holding company under the holding company in the Plan A and placing Japan Post Bank Co., and Japan Post Insurance Co. under its wing; and (3) Plan C - integrating the four companies as a holding company. Some of the participants in the policy meeting supported Plan A.

11) Government's draft national economic growth strategy places priority on environment

YOMIURI (Page 1) (excerpt)
December 27, 2009

A national economic growth strategy drafted by the government's growth strategy compilation council, chaired by Prime Minister Hatoyama, was revealed on Dec. 26. The plan specifies six areas, including Asia, tourism, science and technology, employment and manpower development, with the environment, to which Japan attaches importance, and health care (medical services and nursing care), an area where demand is expected to expand, as key areas.

The council proposes increasing both public and private-sector investment in R&D related to science and technology to over 4 percent of the nation's gross domestic product. The prime minister will announce the package at a press conference to be held on Dec. 130.

Concerning the science and technology area, the package points out that after Japan became the world's second-largest economic power, people's expectations and respect for the nation's science and technology declined. Consequently, the need for human resources development and reform at research organizations to ensure further development has been neglected. The council also says that it is very important to invest in and develop a next-generation

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supercomputer, an issue that drew attention in the government's screening of wasteful budgetary spending.

12) Japan Post forgoes plan to set up management consultative council

NIKKEI (Page 5) (Excerpts)
December 26, 2009

Japan Post, which has been studying ways to consolidate the group's governance, has decided to forgo a plan to set up a "group management consultative council." JP had a plan to have a group of local representatives and experts play the role of overseeing the group's services and management. But now that the group doubled the

number of board directors in October and appointed local business leaders, JP has apparently decided the need for the envisaged consultative council has diminished.

13) Third largest drop in ODA

ASAHI (Page 4) (Full)
December 26, 2009

The Hatoyama cabinet on Dec. 25 adopted the fiscal 2010 budget plan. The government's official development assistance (ODA) budget was allocated 618.7 billion yen, down 7.9 percent from the current fiscal year and marking an eleventh consecutive drop. The ODA budget during the Liberal Democratic Party (LDP)-New Komeito administration was cut 4 percent in comparison with the preceding year from fiscal 2007 through fiscal 2009. The margin of the decrease this time is even wider, marking the third largest drop ever.

Cooperation in the form of grants and technological cooperation were increased in the fiscal 2009 budget for the first time in nine years. However, they again suffered cuts, securing 154.2 billion yen, down 4.2 percent cut from the preceding year, and 148 billion yen, a 5.0 percent cut in comparison with the previous year, respectively. The government has budgeted 104.4 billion yen, down 18 percent from the previous year, for the Japan International Cooperation Agency (JICA).

14) Defense spending, including U.S. force realignment cost, to be increased for first time in eight years; Futenma relocation cost not included

NIKKEI (Page 8) (Abridged slightly)
December 26, 2009

The nation's defense spending (for fiscal 2010), including the cost of the realignment of U.S. forces in Japan, has been set at 4.7903 trillion yen, an increase of 0.3 percent from the initial fiscal 2009 budget. Defense spending will be increased nominally for the first time in eight years due to the growing U.S. force realignment cost and other factors. But in reality the nation's defense spending for fiscal 2010 seems like a decrease based on a drop in spending for equipment from the time of the budgetary request.

The cost connected with U.S. force realignment, including the Guam relocation cost of 47.9 billion yen, is 90.9 billion yen (an increase of 30.7 billion yen). The government has decided not to earmark funds for major elements in the Futenma relocation-connected cost other than the ongoing environmental impact assessment. The

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government plans to deal with the matter with an act incurring a liability on the treasury by means of an undesignated resolution once the relocation site is determined.

The defense spending includes 300 million yen for training new personnel, although no fund was allotted for a PKO center, a project that was slated for "abolishment" in the government's screening of state projects. On Japan's omoiyari yosan (literally "sympathy budget" or host nation support) for the stationing of U.S. forces in Japan, the government has decided not to change the salary level of Japanese people working at U.S. bases, despite the fact that it was slated for "review" in the screening process.

On the equipment front, the cost of building a new type of destroyer has been included in the budget, as requested. The deployment of the ground-to-air Patriot Advanced Capability-3 (PAC-3) missile will be limited to its radar that needs to be renewed.

15) PM Hatoyama calls for debate on constitutional revision

YOMIURI (Page 2) (Lead paragraph)
December 27, 2009

At a recording session on Dec. 26 for a Radio Nippon program for the New Year, Prime Minister Yukio Hatoyama indicated that the debate on constitutional revision should resume in the Democratic Party of

Japan, and this issue should be discussed across political party lines. The Social Democratic Party is opposed to constitutional revision. This statement of the Prime Minister is certain to become a new source of conflict within the coalition government.

16) Poll: Cabinet support plummets to 47 PERCENT

TOKYO SHIMBUN (Top play) (Abridged)
December 27, 2009

The public approval rating for Prime Minister Yukio Hatoyama and his cabinet was 47.2 PERCENT in a telephone-based nationwide public opinion survey conducted by Kyodo News on Dec. 25-26, posting a sharp drop of 16.5 percentage points from the last survey conducted in November. The Hatoyama cabinet's support rate fell below 50 PERCENT for the first time since coming into office. The disapproval rating was 38.1 PERCENT , up 13.0 points.

In the breakdown of public support for political parties, the ruling Democratic Party of Japan stood at 36.1 PERCENT , down 8.9 points from the last survey. The opposition Liberal Democratic Party was at 23.7 PERCENT , up 7.5 points. As seen from these figures, the gap between the two parties has narrowed. Among other political parties, the New Komeito was at 1.9 PERCENT , the Japanese Communist Party at 1.3 PERCENT , the Social Democratic Party at 1.8 PERCENT , the Your Party at 1.7 PERCENT , the People's New Party at 1.1 PERCENT , and the New Party Nippon at 0.6 PERCENT . "None" accounted for 30.5 PERCENT .

17) Poll: Cabinet support plunges 18 points to 50 PERCENT

NIKKEI (Page 1) (Abridged)
December 28, 2009

The public approval rating for Prime Minister Yukio Hatoyama's cabinet dropped 18 percentage points from last month to 50 PERCENT

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in a public opinion survey jointly conducted jointly by the Nihon Keizai Shimbun and TV Tokyo on Dec. 25-27. The disapproval rating rose 18 points to 42 PERCENT . In the survey, respondents were asked if they thought that Hatoyama has fully accounted for the issue of his fund-managing body's falsification of political fund reports. In response to this question, 75 PERCENT answered "no," with only 16 PERCENT saying "yes." The public seems to be increasingly dissatisfied with his politics-and-money problem and leadership.

In the breakdown of public support for political parties, the ruling Democratic Party of Japan dropped 10 points to 46 PERCENT . The opposition Liberal Democratic Party rose 4 points to 23 PERCENT .

ROOS